Market Maker Banks
Quote both Bid and Offer Rates

*Vertical scale - $ cost of a £*

$ / £

*S £’s

$£ that bank sells (offers) £’s

Spread (Usually \( \frac{1}{10} \)th of 1%, or less)

\[ \Delta \text{C$} = 0.001 \]

$£ that bank buys (bids for) £’s

D £’s

*Horizontal scale - £’s traded per period £’s/day*

(For Major Banks that are Market Makers)
- Major banks that are market makers will both buy and sell foreign exchange.
- Foreign exchange departments earn profits from the spread (greatly exaggerated in the diagram below).
- In this example, the spread on the Canadian Dollar is one tenth of one percent.